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THE RELATION OF GOVERNMENT TO BUSINESS¹

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President of the Academy of Political Science

THE annual meeting of the Academy last year brought together a distinguished company of bankers and business men to discuss the currency problem. Our semi-annual meeting last spring was notable for the large attendance of lawyers, to discuss the reform of the criminal law and procedure, the dinner at that time being honored by the presence of the President of the United States. This year we appeal again to the business community and have for our general topic "Business and the Public Welfare," a subject which, in the light of recent events, especially challenges the thoughtful consideration of the citizens of the republic in every station of life.

At the first session of this annual meeting, held this afternoon at Columbia University, many well qualified speakers and scholars presented to us important questions pertaining to the protection of labor, discussing particularly the improvement of labor legislation and its more efficient enforcement. This evening for our second session we are to consider the relation of government to business. We are rapidly and of necessity, but perhaps altogether too unconsciously, developing in this country a governmental policy in dealing with private business, the organization of large business,—because business of all kinds is being conducted on an increasingly larger scale,—and corporate business, trusts and monopolies. This governmental policy finds expression in laws and the constant suggestion of new laws and new ways of enforcing old laws. It is this policy, conscious or unconscious, wise or foolish, well considered and logical in its development or hastily devised to meet the fluctuating demands

¹ Introductory address at the annual dinner of the Academy of Political Science, November 10, 1911.

of political expediency, to which we ask you to turn your thoughts this evening.

Two distinguished citizens holding positions of great public prominence, one the legal head of our government, the Attorney General of the United States, Mr. George W. Wickersham, and the other the chief executive of our largest industrial corporation, Judge Elbert H. Gary of the United States Steel Corporation, were invited to be present to signify their approval of the effort of the Academy to encourage active public discussion from an impartial scientific point of view of all aspects of the great economic issues involved in any action the government in any of its branches, executive, judicial or legislative, may take or may fail to take in those important matters. Both gentlemen, recognizing this opportunity as a public and patriotic duty, accepted the invitation of the Academy to be guests of honor at the banquet, but both felt that it would not be wise for them to add at this time to the public utterance in which they have expressed their views. They will therefore not be called upon to speak. We appreciate the honor they have done us in becoming our guests.

The fact that there are so many widely divergent views on the subject of governmental regulation of business held by equally able and sincere advocates is evidence of the complexity of the problem we have before us for discussion this evening. The Academy has tried to have as many representative views of the situation presented for your consideration as the limits of time at one session will permit. We also hope that this discussion will be constructive and will deal with the questions at issue as they exist practically to-day and in their bearing on proposed governmental action within the realm of possible achievement. Much confusion exists in the public mind. We lack definiteness of issue in our public thinking. There is too much recrimination and too vague historical explanation of how it comes about that government and business find themselves in the existing relation to each other. We have been drifting with a certain characteristic lack of frankness in the development of our governmental policy. An astute lawyer who presided at one of our dinners here six months ago remarked: "I wonder

how often people stop to realize how large a part, how tremendous a part, how essential a part of our government is carried on in just such meetings as this." It is the aim of the Academy to serve in that important stage of the proceedings which is preliminary to crystallization in public policy, the stage which has been so fittingly described by the brilliant English essayist, Walter Bagehot, as the era of discussion. We want to make our modest contribution in efforts to clarify and stimulate fair and honest thinking that in turn will lead to fair and wise action for the permanent good of all.

One more word by way of general introduction of the topic of the evening. At the present moment, when public interest is aroused on this subject of government and business, and political and even party feeling is excited, we must not forget that back of all the issues involved are large groups of citizens with real interests at stake, with outraged feelings at real wrongs they have suffered. Politicians in the lower sense of the term may for a season play with these feelings for personal or party advantage, but we must not forget that agitation cannot long endure if it is a manufactured and artificial product. If it does endure, it is because it represents real feeling on the part of large bodies of citizens who will in the long run find an outlet for political expression. Such agitation will not down until the issues that cause it are found out, clearly defined and harmonized in a statesmanlike fashion. The interests of big business in this country are not confined to a few malefactors of great wealth, nor to the much larger but also relatively exclusive group of capitalists. They concern directly a very large group of wage-earners employed by great corporations and a very large group of people not in active business but in the educational, philanthropic and public-service work of the world, whose activities are necessarily limited by the support they get from the social surplus created by what we call industrial prosperity. On the other hand, wholly apart from these groups, there is a still larger body of consumers of the products of big business who feel and realize better than we imagine the abuses, actual and potential, of monopolistic power in all of its degrees from absolute monopoly to near-monopoly. This group of consumers is be-

coming increasingly impatient of rising prices, increased cost of living, exploitation through adulterated products, and all the advantages taken of its helplessness to protect itself in the complexity of modern markets and merchandising. It blames, justly or unjustly, the large aggregations of capital, whose power it can see, and holds them responsible for the correction of many of these abuses, whether they are directly responsible for them or not, and also whether or not they are only a little less helpless than the consumers themselves in providing adequate remedies. In between these two groups there is, of course, another group, relatively quite as large as either of them and made up of persons who belong to both, but whose interests as producers or whose incomes are dependent in some way upon large corporate organization of business, and whose interests as consumers are so commingled with their interests as consumers or as income receivers that they are in utter confusion and less able than either of the other groups to formulate a policy that seems to meet their exact needs. The discussion before us must attempt to reconcile and harmonize the interests of these three groups and to suggest plans by which we can maintain and increase the effectiveness of large aggregations of capital, and at the same time protect adequately the smallest consumer from extortion or unreasonable charges. No policy that fails to accomplish both of these things, however attractive it may look for the time being, will lead to a permanent solution of our difficulties.